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COMMISSION STAFF WORKING DOCUMENT

Analysis of the recovery and resilience plan of Malta

Accompanying the document

Proposal for a COUNCIL IMPLEMENTING DECISION

amending Council Implementing Decision (EU) (ST 11941/2021; ST 11941/2021 ADD 1) of 5 October 2021 on the approval of the assessment of the recovery and resilience plan for Malta

{COM(2023) 372 final}

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1. EXECUTIVE SUMMARY

The Maltese economy recovered strongly after being severely affected by the COVID pandemic. The Maltese GDP grew strongly in 2021 and 2022 and is expected to continue growing robustly in the medium term. The increase in energy prices has been limited by government intervention at a sizable fiscal cost. While the economy was only to a small extent impacted by Russia's invasion of Ukraine, the strong dependence of the Maltese economy on fossil fuels poses a challenge to its sustainable growth prospects and impedes the progress towards its climate goals for 2030 and climate neutrality in 2050.

Malta submitted a modified recovery and resilience plan, which reflects the decrease in its final allocation, along with a REPowerEU chapter that contains measure to accelerate the green transition and decrease reliance on fossil fuels. This submission centres on three legal bases. Firstly, the modification takes into account the updated maximum financial contribution published on 30 June 2022 in accordance with Article 18(2) of Regulation (EU) 2021/241 that led to a decrease in Malta's non-repayable financial support from EUR 316.4 million to EUR 258.3 million. Secondly, the modification relied on the legal basis of Article 21(1) of Regulation (EU) 2021/241, having considered the recovery and resilience plan to be partially no longer achievable or where delays are foreseen due to objective circumstances, and having made a reasoned request to the Commission to make a proposal to modify the Council Implementing Decision. Finally, in accordance with Article 21c of Regulation (EU) 2021/241 to include additional resources from ETS revenues and the Brexit Adjustment Reserve (BAR), Malta included a REPowerEU chapter in its recovery and resilience plan.

The modifications submitted by Malta under Article 18(2) and Article 21(1) of Regulation (EU) 2021/241 affect six measures of the initial plan. In addition to the modifications of these measures, Malta also requested to rectify some clerical errors. Under Article 18(2), three investments have been removed from the initial recovery and resilience plan, namely the new ferry landing site at Buġibba, St Paul's Bay, the digitalisation of outpatient and operations management processes at Mater Dei hospital, and the setting up of a Centre for Vocational Education Excellence (Institute for Tourism Studies campus). Moreover, Malta proposes to decrease the investment allocated for the energy efficiency renovation of Mount Carmel hospital. Under Article 21(1), Malta has requested to postpone the indicative timelines of two measures in view of supply chain disruptions and procurement delays. The correction of clerical errors is also foreseen for some measures.

The REPowerEU chapter contains measures to help address the key energy challenges that Malta is currently facing. The proposed measures contain a reform to accelerate permit-granting procedures for renewable energy projects and introduce an obligation to install rooftop solar panels on certain new residential and non-residential buildings (C7.R1), and an investment to strengthen and widen the electricity distribution network through reinforcements of the grid, distribution services and battery storage (C7.I1). The reform is expected to increase the share of renewables in Malta's energy mix, one of the lowest in the EU, contributing to the REPowerEU objective of accelerating the deployment of renewable energy. The investment will contribute to the REPowerEU objective of addressing internal electricity transmission distribution bottlenecks.

Overall, the implementation of the envisaged measures is expected to contribute to reducing dependency on fossil fuels in line with the country-specific recommendation on energy (CSR 4 in 2022). The investment measure in the REPowerEU chapter has a cross-border effect that is described further in this analysis.

Based on the assessment of the submitted modification and the REPowerEU chapter, the Maltese modified plan receives an A-rating on all criteria, except for costing, where the plan receives a B-rating (unchanged from the original plan assessment).

(1) Balanced Response	(2) CSRs	(3) Growth, jobs…	(4) DNSH	(5) Climate target	(6) Digital target	(7) Lasting impact	(8) M & T	(9) Costing	(10) Control Systems	(11) Coherence	(12) REPowerEU	(13) Cross-border
A	A	A	A	A (68.8%)	A (26.2%)	A	A	B	A	A	A	A

2. Objectives of the modification of the plan

The REPowerEU chapter in the Maltese modified recovery and resilience plan is a strong response to the geopolitical and energy challenges that the European Union has faced since Russia's invasion of Ukraine. The modifications proposed within the plan and the newly integrated REPowerEU chapter reflect the country specific recommendations for Malta presented in the 2022 European Semester cycle.

As a result of the decrease in Malta's non-repayable financial support, Malta requested to remove some measures from the original recovery and resilience plan pursuant to Article 18(2) of the RRF Regulation. The maximum financial contribution for Malta was updated on 30 June 2022 and decreased from EUR 316.4 million to EUR 258.3 million. To take this update into account, Malta requested to remove three measures from its recovery and resilience plan: the new ferry landing place at Buġibba, St Paul's Bay, the digitalisation of outpatient and operations management processes at Mater Dei hospital, and the setting up of a Centre for Vocational Education Excellence (Institute for Tourism Studies Campus). Moreover, Malta also requested to decrease the investment into the renovation of Mount Carmel hospital and extend the implementation timeline.

Malta also requested to modify two measures due to objective circumstances pursuant to Article 21(1) of the RRF Regulation. The failure of the first procurement procedure that required a change in conditions and a relaunch of the procurement procedure is expected to impact the timeline for the investment to improve the energy efficiency of private sector buildings. Moreover, supply shortages and delays in the delivery time for electric vehicles are expected to impact the timeline for the uptake of electric vehicles in the private sector. These events constitute objective circumstances, which have rendered part of the original recovery and resilience plan no longer achievable within the timeline set originally.

The main elements of the modified recovery and resilience plan and the REPowerEU chapter are listed below by component:

Component 1 (Climate neutrality), targeted modification:

Investment C1-I1: Investment in the renovation and greening of public and private sector buildings, including retrofitting through energy and resource efficiency measures: Malta requested to delay the indicative timeline for the private sector building renovation scheme by six months. The request is based on Article 21(1) of Regulation (EU) 2021/241 due to the failure to successfully conclude the first procurement procedure, resulting in the need to modify the conditions and to launch a new procedure.

Investment C1-I2: Investment in the renovation and retrofitting of public hospitals: Considering the decrease of its overall financial allocation, Malta has requested to reduce the investment for the energy efficient renovation of Mount Carmel hospital from EUR 20 million to EUR 12.2 million. The reduction in investment costs is proportional to the decrease in the renovated floor area from 9167m2 to 5600m2. The uncertainty around the financial allocation has also delayed the procurement procedures; therefore, Malta has asked to extend the indicative timeline of a milestone for the signature of contracts by one year as well as that of a target for the completion of the investment by one quarter. The request is based on Article 18 of Regulation (EU) 2021/241.

Component 2 (Decarbonising transport), targeted modification:

Investment C2-I1: New ferry landing place to promote alternative modes of transport at Buġibba, St Paul's Bay: In light of the downwards revision of the maximum financial contribution, Malta requested to remove this investment and the corresponding milestones from the recovery and resilience plan. This results in the reduction of the cost of the investment from EUR 16.1 million to EUR 0. The request is based on Article 18 of Regulation (EU) 2021/241.

Investment C2-I2: Enhancing the uptake of electric vehicles in the private sector: A modification was requested to delay the completion of the electric vehicle scheme by one year. The request is based on Article 21(1) of Regulation (EU) 2021/241 due to supply shortages and delays in the delivery time for electric vehicles.

Component 4 (Health), targeted modification:

Investment C4-I2: Enhancing the resilience of the health system through digitalisation and new technologies: Malta requested to remove the digitalisation of the outpatient and operations management processes at Mater Dei hospital sub-measure and the two related milestones from C4-I2 (i.e. on the digitalisation of outpatient facility). This results in the reduction in the cost of the investment from EUR 24.9 million to EUR 11.6 million. The request is based on Article 18 of Regulation (EU) 2021/241.

Component 5 (Quality education and socio-economic sustainability), targeted modification:

Investment C5-I1: Setting up of a Centre for Vocational Education Excellence (ITS Campus): In light of the downwards revision of the maximum financial contribution, Malta requested to remove this investment from the recovery and resilience plan. This results in the reduction in the cost of the investment from EUR 41.4 million to EUR 0. The request is based on Article 18 of Regulation (EU) 2021/241.

<u>Component 7 (REPowerEU chapter)</u>, substantial modification:

Under the REPowerEU chapter and based on Article 21c of Regulation (EU) 2021/241, Malta proposed measures for one reform and one investment:

Reform C7-R1 of existing permitting systems: The reform aims to accelerate the permit-granting procedures for renewable energy projects and introduce the obligation to install rooftop solar panels on certain new buildings. This reform is expected to create the preconditions for increasing the share of renewables in Malta's energy mix.

Investment C7-I1 into the electricity grid: The investment aims to strengthen and widen the electricity distribution network through investments in the grid, distribution services and battery storage. The investment is expected to address internal electricity transmission distribution bottlenecks and facilitate the integration of renewable energy.

The measures presented under the REPowerEU chapter are adequate to address some of the main challenges set out by the REPowerEU plan according to the Regulation (EU) 2023/435. The implementation of the measures included in the REPowerEU chapter are expected to contribute notably to supporting the objectives in Article 21c(3), points (b) and (e) of Regulation (EU) 2021/241 by accelerating the deployment of renewable energy, addressing internal energy transmission and distribution bottlenecks, supporting electricity storage and supporting zero-emission transport and its infrastructure. The proposed reforms and investments aim to bridge the gaps identified in Malta's energy and climate policy framework that are also set out in the 2022 and 2023 Country Reports for Malta, notably the low share of renewables in the energy mix. These interventions build on the initiatives planned under Component 1 and Component 2 and aim to also contribute towards the European Flagship 'Power Up'. The reforms and investments in the REPowerEU chapter aim to further facilitate and accelerate Malta's efforts towards the higher uptake of renewable energy in accordance with the REPowerEU Plan and its objectives, thereby contributing to European Green Deal targets and commitments.

The previous description of the implementation and monitoring aspects of the plan, control and audit, as well as growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence, as reflected in the Staff Working Document (2021) 269 final, remains valid.

State aid and competition rules fully apply to the measures funded by the Recovery and Resilience Facility. Union funds channelled through the authorities of Member States, like the RRF funds, become State resources and can constitute State aid. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures are covered by an existing aid scheme or comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU[1]. When State aid is present and it requires notification, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by Malta in the recovery and resilience plan cannot be deemed a State aid notification. In as far as Malta considers that a specific measure contained in the recovery and resilience plan entails *de minimis* aid or aid exempted from the notification requirement, it is the responsibility of Malta to ensure full compliance with the applicable rules.

Table of new and modified components and associated estimated costs:

Component	Status	Costs (EUR million)
C1: Climate neutrality	Modified	70.1
C2: Decarbonising transport	Modified	94.3
C3: Digital, smart and resilient economy	Unchanged	55.3
C4: Resilience of health system	Modified	36.7
C5: Quality education and socio-economic sustainability	Modified	0
C6: Strengthening the institutional framework	Unchanged	10
C7: REPowerEU	New	69.9

3. SUMMARY OF THE ASSESSMENT OF THE PLAN

3.1. Comprehensive and adequately balanced response to the economic and social situation

Malta's modified plan along with the REPowerEU chapter includes a balanced set of reforms and investments contributing to the Union's economic, social and territorial cohesion by referring to the six pillars of Article 3 of the Regulation (EU) 2021/241. The modification of the plan along with the REPowerEU chapter only impacts the assessment of the contribution of the plan to pillar 1 on the green transition. For the other pillars, the nature and extent of the proposed modifications to the recovery and resilience plan do not have an impact on the previous assessment of the plan's comprehensive and adequately balanced response to the economic and social situation, and on its appropriate contribution to all six pillars referred to in Article 3 of the RRF Regulation, as reflected in Staff Working Document SWD (2021) 269 final. Regarding the green transition pillar, Malta's modified recovery and resilience plan along with the REPowerEU

[1] Annex to the Communication to the Commission of 9 March 2023 on the Approval of the content of a draft for a Commission Regulation amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty; available at: https://competition-policy.ec.europa.eu/system/files/2023-03/GBER_amendment_2023_EC_communication_annex_0.pdf.

chapter addresses green challenges in particular under Component 1 (Climate neutrality), Component 2 (Decarbonising transport) and the newly added Component 7 (REPowerEU chapter).

The measures in the REPowerEU chapter contribute to the attainment of the 2030 climate target and the objective of EU climate neutrality by 2050 as they aim to incentivise the uptake of renewable energy. More precisely, under Component 7 Malta has planned measures that will facilitate the streamlining of renewable project permitting, introduce rooftop solar obligations for certain new buildings, upgrade and expand the electricity transmission and distribution network and install centralised energy storage capacity.

Coverage of the six pillars of the Facility by the modified Maltese recovery and resilience plan components

● = investments and reforms of the component significantly contribute to the pillar; ○ = the component partially contributes to the pillar

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
Component 1	●		○			●
Component 2	●		○			●
Component 3		●	●		●	○
Component 4		○	●	○	●	○
Component 5			●	●	○	●
Component 6		●	○		●	
Component 7	●		○			

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Taking into consideration all reforms and investments envisaged by Malta, its modified recovery and resilience plan continues to represent, to a large extent, a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of Malta into account. This would warrant a rating of A under the assessment criterion 2.1 in Annex V of the RRF Regulation.

3.2. Link with country-specific recommendations and the European Semester

Overall, Malta's modified recovery and resilience plan represents a comprehensive and adequate response to the economic and social challenges faced by Malta. Although the modified plan removes some measures, it also introduces new reforms and investments that help to maintain the coverage of a significant subset of the challenges identified in the relevant country-specific recommendations (CSRs) addressed to Malta.

In the latest CSRs, Malta was recommended to take action in 2022 and 2023 in four main policy areas. To begin with, in 2023, Malta was recommended to ensure that the growth of nationally-financed current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. In this regard, the country needed to stand ready to adjust current spending to the evolving situation and expand public investment for the green and digital transition and for energy security (CSR 1, 2022). The second recommendation consisted in proceeding with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 5 October 2021 (CSR 2, 2022). The third recommendation is for Malta to take action to effectively address features of the tax system that may facilitate aggressive tax planning by individuals and multinationals, and amending the rules for non-domiciled companies (CSR 3, 2022). Finally, Malta was recommended to reduce overall reliance on fossil fuels by accelerating the deployment of renewables, promoting and enabling investments in wind and solar energy, including in floating offshore energy, further upgrading Malta's electricity transmission and distribution grids, and creating incentives for electricity storage to supply firm, flexible and fast-responding energy. Malta was also recommended to reduce energy demand through improved energy efficiency, particularly in residential buildings, and reduce emissions from road transport by addressing traffic congestion through improved service quality in public transport, intelligent transport systems and investing in soft mobility infrastructure (CSR 4, 2022).

Despite Malta's request to reduce the investment in the energy efficient renovation of Mount Carmel hospital (C1-I1) to account for the decreased financial allocation, the modified plan still includes a number of investments addressing the renovation and retrofitting of public and private sector buildings that contribute to the reduction of energy demand through improved energy efficiency (CSR 4, 2022). The plan also includes important reform measures that improve the management of the construction sector and promote the upskilling of various segments of the construction ecosystem.

Whilst Malta has requested that the ferry landing site investment (C2 I1) be removed in light of the reduced maximum financial contribution for Malta, the modified plan still includes a number of investments and reforms in sustainable transport that contribute to reducing road traffic emissions by reducing traffic congestion (CSR 4, 2022). The remaining reforms are expected to improve transport planning and encourage the use of public transport, encourage remote working in the public sector and increase the efficiency of public sector fleet management. Furthermore, the remaining investments will incentivise the purchase of zero-emission electric vehicles in the private sector and finance the acquisition of electric vehicles to replace internal combustion engine vehicles in the public service fleet and the acquisition of zero emission buses for public transport.

The new measures under the REPowerEU chapter aim at reducing the overall reliance on fossil fuels by accelerating the deployment of renewables, promoting and enabling investments in wind and solar energy, further upgrading Malta's electricity transmission and distribution grids, and creating incentives for electricity storage to supply firm, flexible and fast-responding energy (CSR 4, 2022). The reform involves the streamlining of the permitting system for renewable energy projects and the entry into force of the obligation to install solar panels on certain new buildings. This reform is expected to increase the share of renewables in Malta's energy mix. The investment into the electricity network aims to strengthen the electricity grid, distribution services and battery storage. The investment is expected to address internal electricity transmission distribution bottlenecks, accelerate the integration of renewable energy as well as help to decarbonise buildings and transport by providing energy infrastructure suited for the uptake of renewable energy.

Malta's modified recovery and resilience plan continues to address a significant subset of the country specific recommendations. Despite Malta's request to remove certain measures to account for the decreased financial allocation, the priorities of the plan are still coherent with progress on the relevant country-specific recommendations. As a result of the proposed reforms and investments addressing the most imminent challenges to the Maltese economy and society, the priorities of the plan focus on the relevant issues and are expected to contribute effectively to the resolution of these challenges. The revised RRP does not include new measures to address the 2022 country-specific recommendation on aggressive tax planning.

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Taking into consideration the reforms and investments envisaged by Malta, its modified recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester. The modified recovery and resilience plan represents an adequate response to the economic and social situation of Malta. This would warrant a rating of A under the assessment criterion 2.2 in Annex V of the RRF Regulation.

3.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence

The nature and extent of the proposed modifications to Maltese recovery and resilience plan do not have an impact on the previous assessment (Rating of A) of the plan's impact on the growth potential, job creation, and economic, social and institutional resilience of the Member State, on contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union, as reflected in Staff Working Document SWD (2021) 269 final.

3.4. The principle of 'do no significant harm'

The modified Malta's recovery and resilience plan, including the REPowerEU chapter, is expected to continue to ensure that no measure included in the plan does significant harm to

environmental objectives, within the meaning of Article 17 of the Taxonomy Regulation. The modified plan assesses compliance with the 'do no significant harm' (DNSH) principle following the methodology set out in the Commission's technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (2021/C58/01). The assessment is done systematically for all new reforms and investments following the two-step approach. The assessment concludes that for all new measures, there is either no risk of significant harm or, where a risk is identified, a more detailed assessment is performed demonstrating the absence of significant harm.

The reform of existing permitting systems aimed at fast-tracking of applications and accelerating permit-granting procedures for renewable energy projects respects the DNSH principle. This reform is expected to facilitate the uptake of renewable energy technologies and to maximise the use of locally generated renewable energy resources. Malta's DNSH self-assessment focuses on ensuring that, despite streamlined and accelerated procedures, the relevant authorisations that require Environmental Impact Assessments, Appropriate Assessments and Strategic Environmental Assessments will be carried out, in line with relevant national legislation. Additionally, Malta pledges that stakeholder consultation will be considered where the relevant environmental and planning processes require it.

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Taking into consideration the assessment of all the measures envisaged, no measure for the implementation of reforms and investments projects included in Malta's modified recovery and resilience plan, including its REPowerEU chapter, is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of 'do no significant harm'). This would warrant a rating of A under the assessment criterion 2.4 of Annex V of the RRF Regulation.

3.5. Green transition

The REPowerEU measures address the crucial need to speed up renewable energy generation in Malta, reduce Malta's dependence on imported fossil fuels and increase the share of locally generated renewable resources in the energy mix. All the new measures are expected to have a long-term impact, as the reforms do not contain sunset clauses, while the investments strengthen critical infrastructure.

Even though Malta has requested to reduce the investment into the energy efficient renovation of Mount Carmel hospital from EUR 20 million to EUR 12.2 million to account for the decreased financial allocation, the modified plan still includes a number of investments into energy efficiency that support the green transition. The plan also includes important reform measures that improve the management of the construction sector and promote the upskilling of various segments of the construction ecosystem. The slightly reduced level of ambition in energy efficiency is compensated by the investment in the REPowerEU chapter.

Although Malta has requested the removal of the ferry landing site investment in light of the reduced maximum financial contribution for Malta, the modified plan still includes a number of investments and reforms in sustainable transport that contribute to reducing road traffic emissions by reducing traffic congestion. Indeed, the remaining reforms are expected to improve transport planning and encourage the use of public transport, encourage remote working in the public sector and increase the efficiency of public sector fleet management. Furthermore, the remaining investments will incentivise the purchase of zero-emission electric vehicles in the private sector and finance the acquisition of electric vehicles to replace internal combustion engine vehicles in the public service fleet and the acquisition of zero emissions buses for public transport.

On the basis of the assessment guidelines provided for in sub-criterion 5b, the measures in the modified recovery and resilience plan (including the REPowerEU chapter) supporting climate change objectives account for EUR 225.9 million or 68.8% (up by 15 percentage points from 53.8% in the original plan) of the plan's total allocation (i.e. above the 37% required), based on the methodology for climate tracking set out in Annex VI. The most important contributions to this target are the investment in the electricity grid, energy efficient renovation and transport decarbonisation measures.

Additionally, the proposed measures within the REPowerEU chapter supporting climate change objectives account for 100% of the chapter's total estimated costs (i.e. more than the 37% required), based on the methodology for climate tracking set out in Annex VI. The contribution to climate change objectives stems from the investment into the electricity grid to modernise it and make it fit for renewables.

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Taking into consideration the assessment of all the measures envisaged, the modified recovery and resilience plan, including its REPowerEU chapter, is expected, to a large extent, to make a significant contribution to the green transition or to address the challenges resulting from it and ensures that at least 37% of its total allocation contribute to the climate target. At least 37% of the total estimated costs of the REPowerEU contribute to the climate target. This would warrant a rating of A under criterion 2.5 of Annex V of the RRF Regulation.

3.6. Digital transition

The modification of the recovery and resilience plan entails the removal of the sub-measure on the digitalisation of outpatient and operations management processes at Mater Dei hospital which formed part of investment C4-I2. The budget of this investment is being reduced from EUR 24.9 million to EUR 11.6 million, in view of the reduced maximum financial allocation for Malta under Article 18(2) of the RRF Regulation. All other measures regarding the digital transition remain unaltered in the modified recovery and resilience plan.

The removal of the sub-measure on digitalisation of the outpatient and consumer engagement processes does not impact the assessment of criterion 2.6 of Annex of the RRF Regulation, in light of the reduced maximum financial allocation. The modified plan continues to contribute to fulfilling the elements corresponding to assessment criterion 2.6 of Annex V, as outlined in the Commission Staff Working Document SWD (2021) 269.

Based on the methodology set out in Annex VII of the RRF Regulation, the contribution to digital objectives accounts for EUR 67.6 million, which represents 26.2% of the modified plan's total allocation; an increase of 0.7 percentage points from 25.5% in the original plan, due to a decrease in the modified plan's total financial allocation, taking into account the removal of the relevant sub-measure.

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The nature and extent of the proposed modifications to Malta's recovery and resilience plan do not have an impact on the previous assessment (Rating of A) of the plan's contribution to the digital transition or to address the challenges resulting from it and ensures that at least 20% of its total allocation (excluding the measures in the REPowerEU chapter) contribute to support digital objectives, as reflected in SWD (2021) 269.

3.7. Lasting impact of the plan

The modified recovery and resilience plan includes new measures that, in addition to the existing measures, are expected to have lasting positive effects on the Maltese economy. The REPowerEU chapter introduces one investment and one reform that are expected to further contribute to Malta's green transition by (i) strengthening its infrastructural preparedness to cater for an increased production and distribution of energy, including renewables, while also enabling better storage of energy, and (ii) introducing structural changes to energy policy that will reduce existing bottlenecks in permit-granting procedures for renewable energy projects, while enforcing the installation of rooftop solar panels on new buildings that reach their maximum height, in a bid to increase Malta's share of energy production from renewable sources. Some measures have been removed to reflect the updated maximum financial contribution published on 30 June 2022, in accordance with Article 18(2) of Regulation (EU) 2021/241, and a limited number of modifications in line with Article 21 of Regulation (EU) 2021/241 reflect delays in the completion of some milestones/targets. Such modifications are not expected to have any effects on the lasting positive impacts of the Maltese recovery and resilience plan.

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The nature and extent of the proposed modifications to the Maltese recovery and resilience plan do not have an impact on the previous assessment (rating of A) of the lasting impact of the plan, as reflected in SWD (2021) 269.

3.8. Milestones, targets, monitoring and implementation

The milestones and targets of the modified Maltese recovery and resilience plan, including the REPowerEU chapter, enable an adequate monitoring of the plan's implementation. The milestones and targets contain the key elements of the measures and thus are relevant for the implementation of the proposed changes. The monitoring milestones and targets appear comprehensive and clear to ensure that their completion can be traced and verified. Malta's modified plan still corresponds to the original plan in terms of the overall level of ambition. In addition, Malta has sufficiently described the relevant verification mechanisms, data collection systems and responsibilities that also can be qualified as clear, robust and effective to ensure effective completion of milestones and targets.

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The arrangements proposed by Malta in its modified recovery and resilience plan are expected to be adequate to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators. This would warrant a rating of A under the assessment criterion 2.8 of Annex V of the RRF Regulation.

3.9. Costing

Malta has provided individual estimated costs for the revised RRP, including the REPowerEU chapter. The cost information provided by Malta for the new measures included in the REPowerEU chapter is generally detailed and well substantiated. Malta has also provided individual justifications for the measures whose modifications entailed a change in the cost estimates.

Overall, the assumptions used by Malta to estimate the cost of the measures included in the REPowerEU chapter provide a reasonable explanation of the key cost drivers of the measures. The calculations are generally clearly explained, allowing to identify the methodology used, even if for a limited number of instances the information provided is more limited or less clear. All costs of the REPowerEU chapter are incurred after February 2022.

The amount of the estimated costs of measures included in the revised RRP, including the REPowerEU chapter, is in line with the nature and type of the envisaged reforms and investments. In addition to costing information provided in the original RRP, for the new measures included in the REPowerEU chapter Malta also provided supporting documents to substantiate the cost estimates, including explanations of how past projects relate to the cost estimates of the new measures, although in a limited number of instances the comparability of past projects to the ones proposed in the Chapter could not fully be established, partially due to the novelty of the measure. As regards the revised measures, the proposed reduction of investment cost for the energy efficient renovation of Mount Carmel hospital is proportional to the decrease in the renovated floor area and the reduction of costs for enhancing the resilience of the health system through digitalisation corresponds to the budgeted costs for the deleted investment on the digitalisation of outpatient and operations management processes at Mater Dei hospital.

Malta has indicated that the costs to be financed by the RRF will not be funded by other Union funding sources. More specifically, Malta committed to ensure that no double funding with other funding instruments will occur in the case that any complementary actions are undertaken under other Funds. The structures at national level to ensure consistency between funding and avoid double funding are deemed adequate (Section 3.10 Controls and audit).

The total cost of the revised RRP, including the REPowerEU chapter, is commensurate to the expected social and economic impact of the envisaged measures. The revised RRP, including the REPowerEU chapter, is expected to effectively address a significant subset of challenges identified in the country-specific recommendations (CSRs). In particular, the REPowerEU chapter contributes to fostering the green transition, increasing the share of renewable energy and strengthening critical energy infrastructure. The economic and social impact of the revised RRP, including the REPowerEU chapter, in combination with the positive cost assessment, indicates that the cost is in line with the principle of cost-efficiency.

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The justification provided by Malta on the amount of the estimated total costs included in the revised RRP, including the REPowerEU chapter, *is to a medium extent reasonable, plausible, in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact. Malta provided sufficient information and evidence that the amount of the estimated cost of the reforms and investments of the modified recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing. This would warrant a rating of B under the assessment criterion 2.9 of Annex V to the RRF Regulation.*

3.10. Controls and audit

The nature and extent of the proposed modifications to Malta's recovery and resilience plan do not have an impact on the previous assessment (Rating of A) of the adequacy of the control and audit arrangements proposed by Malta, as reflected in SWD (2021) 269.

3.11. Coherence

Malta's modified recovery and resilience plan contains measures that ensure complementarity between the different components while also displaying coherent actions within the new and revised components, in particular those related to the REPowerEU chapter. The measures in the REPowerEU chapter introduce energy-related measures that go beyond what was proposed in Malta's original submission. Energy measures in Component 1 of Malta's recovery and resilience plan predominantly focus on energy efficiency investments, with only limited investment in renewable energy. The REPowerEU chapter ensures complementarity by promoting renewable energy more vigorously than in Malta’s original submission, reflecting its relatively low share in the energy mix. The proposed investment focuses on the need to strengthen the electricity grid and make it fit for deploying more renewable energy, reinforcing the electricity distribution system, while also creating centralised battery storage facilities to store renewable energy generated by households. The REPowerEU chapter also introduces the first energy-related reform that will allow for the acceleration of permit-granting procedures for renewable energy projects and introduce legal obligations for the installation of rooftop solar panels on new buildings that have reached their maximum height, thus strengthening the objective to increase the share of renewable energy production in Malta’s energy mix. The measures within the REPowerEU chapter reinforce the effects of one another, aiming to achieve the objectives of cleaner and more stable provision of electricity in Malta. The modifications do not have contradictory aims or possible negative effects on one another.

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The nature and extent of the proposed modifications to the Maltese recovery and resilience plan do not have an impact on the previous assessment (rating of A) of the coherence of the plan, as reflected in SWD (2021) 269.

3.12. REPowerEU

The activities under C7.R1 (reform of existing permitting systems) aim to accelerate permit-granting procedures for renewable energy projects and introduce the obligation to install rooftop solar panels on new buildings. This reform is expected to increase the share of renewables in Malta’s energy mix, one of the lowest in the EU, thus contributing to the REPowerEU objective of accelerating the deployment of renewable energy. In particular, the reform involves the review of the permitting framework and the entry into force of legislative changes, where applicable: (i) obliging to install rooftop solar panels on new residential and non-residential buildings that reach their maximum height, (ii) modifying the existing permitting processes, including application procedures, through the adoption and online publication of expedited timelines, (iii) revising the renewable permitting procedures for greenhouses and other suitable spaces. Reform C7.R1 will have a lasting impact as the legislative changes will not contain sunset clauses and the reforms are not expected to be reversed at a later date. Reform C7.R1 is coherent with other efforts of Malta to promote the green transition. In particular, the new reform complements the existing measures in Components 1 and 2 of Malta’s recovery and resilience plan, which mainly focus on achieving greater efficiency of energy use in buildings and transport, and to a lesser extent on increased production of renewable energy.

The activities under C7.I1 (investment into the electricity grid) aim to strengthen and widen the electricity distribution network through investments in the grid, distribution services and battery storage. This investment contributes to the REPowerEU objectives of addressing internal electricity transmission distribution bottlenecks and, therefore, accelerating the integration of renewable energy. The investment into energy infrastructure will benefit renewable energy producers, including individual producers and consumers that need to connect their facilities to the grid, as well as future large-scale renewable project (both on-shore and off-shore) promoters, as well as users of electrical vehicles. Investments in grid infrastructure have a long-lasting impact as sustainably increasing the share of electricity sourced from renewable energy require additional capacity for transmission, distribution and storage in the network. Investments under C7.I1 are coherent with other efforts of Malta, especially with its national budget investments into the electricity grid and Cohesion Policy investments into the second 230kV interconnector with Sicily. Grid investments are in synergy with measures in Components 1 and 2 of Malta's recovery and resilience plan, as the decarbonisation of buildings and transport require an electricity grid that is better suited for the uptake of renewable energy.

Maltese authorities held technical and bilateral meetings with stakeholders between 2022 and 2023, organised a formal online public consultation in April 2023 and shared the draft elements of REPowerEU chapter with social partners (Malta Council for Social and Economic Development). Afterwards, the authorities integrated the feedback from the consultation process into the draft REPowerEU chapter, most notably with regard to the need to invest in enabling energy infrastructure to secure long-term development and greening, to promote the sustainability and growth of locally generated renewable energy, to safeguard environmental and social aspects in fast-tracked renewable permitting and to seek complementarity between the recovery and resilience plan, Cohesion Policy and national budget investments in greening the energy system and decarbonising buildings and transport.

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Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the chapter is expected, to a large extent, to contribute effectively to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and energy efficient, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030. This would warrant a rating of A under criterion 2.12 of Annex V of the RRF Regulation.

3.13. Cross-border or multi-country dimension or effect

The investment into the electricity grid included in the REPowerEU chapter, and representing 100% of its estimated costs, has a cross-border effect. As described in detail above, the investment in the grid will make it stronger, wider and more suitable for the uptake of renewables, including a feeder line to the second electricity interconnector with Italy. As a result, the investment will contribute to secure energy supply in the Union as a whole and can, therefore, be considered as having a positive cross-border effect as established in the Commission's guidance in the context of REPowerEU[4].

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Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the measures in the chapter are expected, to a large extent, to have a cross-border of multi-country dimension or effect. This would warrant a rating of A under criterion 2.13 of Annex V of the RRF Regulation.

ANNEX: Climate tracking and digital tagging

Measure/Sub-measure ID	Measure/Sub-measure name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C1.I.1 (a)	Investment in the renovation and greening of public and private sector buildings, including retrofitting, through energy and resource efficiency measures - EE public sub-measure	10	026bis	100%		
C1.I.1 (b)	Investment in the renovation and greening of public and private sector buildings, including retrofitting through energy and resource efficiency measures - EE private sector sub-measure	20	024ter	100%		
C1.I.2	Investment in the renovation and retrofitting of public hospitals	12,2	026bis	100%		
C1.I.3	Investment in the renovation, retrofitting and renewable energy in public schools	10	026bis	100%		
C1.I.4 (a)	Investment in the construction of a pilot near carbon-neutral school to serve as a model for the future and provide a future-proof learning experience to students - EE sub measure	14,4	025ter	40%		
C1.I.4 (b)	Investment in the construction of a pilot near carbon-neutral school to serve as a model for the future and provide a future-proof learning experience to students - RES sub measure	0,5	029	100%		
C1.I.5	Renewable energy investments in roads and public spaces	3	029	100%		

Measure/Sub-measure ID	Measure/Sub-measure name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C2.I.2	Enhancing the uptake of electric vehicles in the private sector	50,3	n/a[2]	100%		
C2.I.3	Decarbonising the public sector fleet	10	n/a[3]	100%		
C2.I.4	Part replacement of the public transport fleet	34	074	100%		
C3.I.1 (a)	Strengthening the resilience, security and efficiency of the government digital backbone and investing in appropriate digital solutions, devices and tools - capital costs sub-measure	14,1			011	100%
C3.I.1 (b)	Strengthening the resilience, security and efficiency of the government digital backbone and investing in appropriate digital solutions, devices and tools - training sub-measure	2,6			108	100%

2 The ‘Methodology for climate tracking’ annexed to the Recovery and Resilience Facility Regulation does not set out intervention fields that would enable climate or environmental tracking of electric vehicles or plug-in hybrid vehicles, except for vehicles for urban transport falling under intervention field 074. In accordance with Article 18(4)(e) of the Regulation, the methodology should however ‘be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VI’. In this context, the Commission has applied a 100% climate contribution coefficient for zero-emission vehicles of all categories (this includes battery, electric, and fuel cell/hydrogen-powered vehicles); a 40% climate contribution coefficient for plug-in hybrid light-duty vehicles; and, in line with the criteria under the Taxonomy Regulation, a 100% climate coefficient for low-emission heavy-duty vehicles.

3 The ‘Methodology for climate tracking’ annexed to the Recovery and Resilience Facility Regulation does not set out intervention fields that would enable climate or environmental tracking of electric vehicles or plug-in hybrid vehicles, except for vehicles for urban transport falling under intervention field 074. According to Article 18(4)(e) of the Regulation, the methodology should however ‘be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VI’. In this context, the Commission has applied a 100% climate contribution coefficient for zero-emission vehicles of all categories (this includes battery electric and fuel cell/hydrogen-powered vehicles); a 40% climate contribution coefficient for plug-in hybrid light-duty vehicles; and, in line with the criteria under the Taxonomy Regulation, a 100% climate coefficient for low-emission heavy-duty vehicles.

Measure/Sub-measure ID	Measure/Sub-measure name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C3.I.2	Digitalisation of the Merchant Shipping Directorate within Transport Malta	5,9			084	100%
C3.I.3	Further digitalisation and modernisation of the public administration	17,7			011	100%
C3.I.4	Rolling out measures to intensify the digitalisation of the private sector	15			010	100%
C4.I.2 (b)	Enhancing the resilience of the health system through digitalisation and new technologies - digitalisation sub-measure	2,3			095	100%
C6.I.1	Digitalisation in the justice system	10			011quater	100%
C7.I.1 (REPowerEU chapter)	Strengthening and widening the electricity distribution network, through investments in the grid, distribution services and battery storage	69,9	033	100%		